

CITY OF FORT BRAGG, CALIFORNIA

# Agreed Upon Procedures

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## Cost Allocation Application Review

**Joseph J Arch, CPA JJACPA, Inc.**

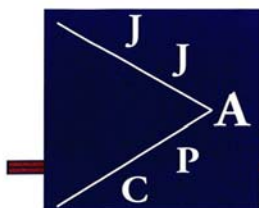
**9/14/2016**

**City of Fort Bragg**  
**Agreed Upon Procedures**  
**Cost Allocation Application Review**

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JJACPA, Inc.

A Professional Accounting Services Corp.

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INDEPENDENT ACCOUNTANT'S REPORT ON  
APPLYING AGREED-UPON PROCEDURES

We have performed the agreed-upon procedures enumerated in Attachment A, which were agreed to by the City solely to assist you in obtaining information regarding specific cost allocation calculations. Management of the City is responsible for the accounting records pertaining to the City's compliance pursuant to any Federal, State or Local regulation for which this information may pertain. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment A either for the purpose for which this report has been requested or for any other purpose.

The scope of this engagement was limited to performing the agreed-upon procedures as set forth in Attachment A. Attachment A also identifies the findings noted as a result of the procedures performed.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion as to the appropriateness of the results summarized in Attachment A. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the City and its management and is not intended to be, and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

September 14, 2016

*JJACPA, Inc.*

JJACPA, Inc.  
Dublin, California

## **Attachment A—Agreed-Upon Procedures Engagement**

- 1) Review the cost allocation procedures performed by the City in prior years and report on our findings. The period identified by the Finance Director has been determined to be fiscal year beginning July 1, 2010 through the fiscal year ended June 30, 2016

**Procedures and Findings:** The City's Finance Director prepared various schedules detailing the differences caused by prior year cost allocations. These schedules presented a particular methodology that included certain assumptions based upon the amounts recorded and schedules used for the allocations.

The assumptions used included General Fund allocations for support departments were fully allocated, except for City Attorney costs, which were allocated at 50%, to other funds for non-payroll expenditures. The following General Fund departments were used for the allocations:

City Attorney, Council, City Manager, City Clerk, Human Resources, Finance, Community Development and Non-departmental.

The results indicated the following:

All departments included above were appropriately shown in the Finance Director prepared schedules.

The methodology used in prior year schedules appeared to be based upon budgeted amounts instead of adjusted at year end based upon actual results. In addition, allocating full cost to other funds is not an accurate basis by which these allocations should be recorded because it does not account for the General fund's participation in the allocation formula.

We also reviewed the methodology developed as a result of these variances and concur with the changes that were made to these allocations and the policy developed. Further, the adjustment to actual at fiscal year-end will make the projections more accurate on a year by year basis and be more reflective of each fund's participation in the expenditures.

- 2) Review the schedules and documents prepared by the Finance Director indicating an over-allocation to the City's enterprise funds in prior years. The period identified by the Finance Director has been determined to be fiscal year beginning July 1, 2010 through the fiscal year ended June 30, 2016.

## **Attachment A, continued—Agreed-Upon Procedures Engagement**

**Procedures and Findings:** The City's Finance Director prepared various schedules detailing the differences caused by prior year cost allocations. These schedules presented as Appendix B were validated and traced to entries recorded in the City's general ledger to establish the reliability of the schedules. The results indicated the following:

Upon tracing amounts recorded to the Water and Wastewater Funds, all amounts were accurate and traced to the schedules in Appendix B without exception.

Further tracing indicated amounts for use of City facilities had not been charged to either the Water or Wastewater Funds. The fixed assets to be transferred accounted for 25% of shared buildings to each of the two Enterprise Funds. The shared buildings to be proportionately transferred are City Hall, Town Hall and the Corporation Yard, all of which are utilized by Water and Wastewater personnel and operations. The amounts were recalculated and we are recommending the loan be reduced by a like amount for each fund or \$579,331 per fund.

We further recommend the City's overhead allocation allow for a "true up" at fiscal year end to account for actual results rather than a budgetary allocation. This will also aid in future budgets to reflect an estimate projected on actual amounts rather than budgetary estimates.

# Appendix B

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Finance Director Prepared Schedules

FY 10-11 SALARY & BENEFIT ALLOCATION PERCENTAGES						
	Fund Personnel Expenditures	Salary & Benefits Allocation *	Sub-Total Fund Salary & Benefit Cost	Salary & Benefit Cost Credited to WW from Water	Sub-Total Fund Salary & Benefit Cost	% of Allocated Cost
GF					3,257,154	
RDA		245,663	245,663		245,663	12%
RDA Housing		77,146	77,146		77,146	4%
Fleet		78,653	78,653		78,653	4%
Water Enterprise		751,077	751,077	240,372	991,449	38%
Wastewater Enterprise	649,423	404,943	1,054,367	(240,372)	813,996	41%
Gas Tax		35,768	35,768		35,768	2%
	649,423	1,593,250	2,242,674	(240,372)	2,002,302	100%

Total Budgeted Payroll	5,259,456.00
GF	3,257,154.04

Revised Totals	649,423	1,593,250	2,242,673	-	5,499,828
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#### Non-Salary General Fund Costs to be Allocated

(LINKED to Finance Master Exp WB)

Legal (50%)	65,000
Council	20,300
GF - City Manager	4,550
GF - City Clerk	6,360
HR	11,300
Finance	81,415
Comm Dev	7,275
Non-Dept	522,615
	718,815
13%	
Public Works	111,125
	829,940

**SALARY & BENEFIT ALLOCATION PERCENTAGES**

Total Budgeted Payroll	5,668,083.00
GF	3,537,637.97

	Fund Personnel Expenditures	Salary & Benefits Allocation	Sub-Total Fund Salary & Benefit Cost	Salary & Benefit Cost Credited to WW from Water	Sub-Total Fund Salary & Benefit Cost	% of Allocated Cost	Revised %	True Up
GF					3,537,638		62%	
RDA		267,438	267,438		267,438	13%	5%	
RDA Housing		80,299	80,299		80,299	4%	1%	
Fleet		114,267	114,267		114,267	5%	2%	
Water Enterprise		462,148	462,148	171,682	633,830	30%	11%	159,870
Wastewater Enterprise	741,538	464,755	1,206,293	(171,682)	1,034,611	49%	18%	260,959
	741,538	1,388,907	2,130,445	0	2,130,445	100%		
Revised Totals	741,538	1,388,907	2,130,445	0	5,668,083			

**Non-Salary General Fund Costs to be Allocated**

Legal (total less \$30k)	170,000
Council	7,200
GF - City Manager	3,750
GF - City Clerk	3,850
HR	18,950
Finance	71,400
CDD	9,175
Non-Dept (excluding transfers, OPEB & PayGo Retiree Medical Costs)	534,703
GF Retiree Medical PayGo	819,028
Public Works	173,350
	135,038
	1,127,416
Retiree Medical Benefits	
OPEB FY11/12 Funding	231,000
WW PayGo	71,238
	302,238
	1,429,654

**SALARY & BENEFIT ALLOCATION PERCENTAGES**

Total Budgeted Payroll	5,617,548.00
GF	3,495,029.15

	Fund Personnel Expenditures	Salary & Benefits Allocation	Sub-Total Fund Salary & Benefit Cost	Salary & Benefit Cost Credited to WW from Wat	Sub-Total Fund Salary & Benefit Cost	% of Allocated Cost	Revised %	True Up
GF					3,495,029		62%	
CVSC		51,604	51,604		51,604	2.43%	1%	
RDA		189,269	189,269		189,269	8.92%	3%	
RDA Housing		71,666	71,666		71,666	3.38%	1%	
Fleet		106,059	106,059		106,059	5.00%	2%	
Water Enterprise		492,069	492,069	181,770	673,839	31.75%	12%	182,912
Wastewater Enterprise	720,541	491,311	1,211,852	(181,770)	1,030,082	48.53%	18%	279,613
	720,541	1,401,978	2,122,519	-	2,122,519	97.57%		
Revised Totals	720,541	- 1,401,978	- 2,122,519	- -	5,617,548	-	1	

**Non-Salary General Fund Costs to be Allocated**

Legal	160,000
Council	28,700
GF - Admin	48,450
GF - City Clerk	4,360
Finance	13,350
CDD	16,950
Public Works Admin	43,672
Non-Dept (excluding transfers)	1,209,388
	1,524,870

**SALARY & BENEFIT ALLOCATION PERCENTAGES**

Total Budgeted Payroll	6,087,026.00
GF	3,842,843.95

	Fund Personnel Expenditures	Salary & Benefits Allocation	Sub-Total Fund Salary & Benefit Cost	Salary & Benefit Cost Credited to WW from W	Sub-Total Fund Salary & Benefit Cost	% of Allocated Cost	Revised %	True Up
GF					3,842,484		63%	
CVSC		38,342	38,342		38,342	1.71%	1%	
RDA		189,749	189,749		189,749	8.46%	3%	
RDA Housing		-	-		-	0.00%	0%	
Facilities Maint		79,515	79,515		79,515	3.54%	1%	
IT	90,094	10,999	101,093		101,093	4.50%	2%	
Fleet	82,864	22,763	105,627		105,627	4.71%	2%	
Water Enterprise		494,171	494,171	178,375	672,546	29.97%	11%	167,386
Wastewater Enterprise	735,974	499,712	1,235,686	(178,375)	1,057,311	47.11%	17%	263,147
	908,932	1,335,251	2,244,182	-	2,244,182	98.29%		
Revised Totals	172,958	1,335,251	2,244,182	-	6,086,666	1		

**Non-Salary General Fund Costs to be Allocated**

Legal	160,000
Council	28,700
GF - Admin	48,450
GF - City Clerk	4,360
Finance	13,350
CDD	16,950
Public Works Admin	43,672
Non-Dept (excluding transfers)	1,199,388
	1,514,870

**SALARY & BENEFIT ALLOCATION PERCENTAGES**

Total Budgeted Payroll	6,193,091.00
GF	4,173,190.70

	Fund Personnel Expenditures	Salary & Benefits Allocation	Sub-Total Fund Salary & Benefit Cost	Salary & Benefit Cost Credited to WW from Wat	Sub-Total Fund Salary & Benefit Cost	% of Allocated Cost	Revised %	True Up
GF					4,173,191		67%	
CVSC		-	-		-	0.00%	0%	
						0.00%	0%	
RDA Housing		-	-		-	0.00%	0%	
Facilities Maint		82,249	82,249		82,249	4.07%	1%	
IT	95,789	18,859	114,648		114,648	5.68%	2%	
Fleet	83,933	21,376	105,309		105,309	5.21%	2%	
Water Enterprise		489,085	489,085	178,034	667,119	34.75%	11%	150,560
Wastewater Enterprise	722,272	506,336	1,228,608	(178,034)	1,050,575	50.29%	17%	237,101
	901,994	1,117,906	2,019,900	-	2,019,900	100.00%		
Revised Totals	901,994	- 1,117,906	- 2,019,900	- - -	6,193,091	-	1	

**Non-Salary General Fund Costs to be Allocated**

Legal	177,000
Council	18,700
GF - Admin	59,750
GF - City Clerk	4,875
Finance	16,250
CDD	17,600
Public Works	107,710
Non-Dept (excluding transfers)	1,005,812
	1,407,697
	1,397,697

**SALARY & BENEFIT ALLOCATION PERCENTAGES**

Total Budgeted Payroll	6,395,350.00
GF	4,378,384.16

	Fund Personnel Expenditures	Salary & Benefits Allocation	Sub-Total Fund Salary & Benefit Cost	Salary & Benefit Cost Credited to WW from Wa	Sub-Total Fund Salary & Benefit Cost	% of Allocated Cost	Revised %	True Up
GF					4,378,384		68%	
CVSC		-	-		-	0.00%	0%	
						0.00%	0%	
RDA Housing		-	-		-	0.00%	0%	
Facilities Maint		80,575	80,575		80,575	3.99%	1%	
IT	98,539	27,740	126,279		126,279	6.26%	2%	
Fleet	86,570	23,296	109,866		109,866	5.45%	2%	
Water Enterprise		464,078	464,078	183,768	647,846	33.84%	10%	148,058
Wastewater Enterprise	755,570	480,598	1,236,168	(183,768)	1,052,400	50.46%	16%	240,515
	940,679	1,076,287	2,016,966	-	2,016,966	100.00%		
Revised Totals	940,679	1,076,287	2,016,966	-	6,395,350			

**Non-Salary General Fund Costs to be Allocated**

Legal	170,000
Council	10,000
GF - Admin	48,930
GF - City Clerk	5,425
Finance	33,200
CDD	7,800
Public Works	162,642
Non-Dept (excluding transfers & allocations)	1,033,591
	1,471,588
	1,461,588